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DOMESTIC INSURANCE INFORMATION FOR CLIENTS

This information will help describe some of the changes going on in the industry which affects your home insurance. It is important read this and let us know if you have any questions.

What Type Of Changes Are Happening?

After the earthquakes in Christchurch insurers and their reinsurers reassessed the models that were used to predict costs arising from major disasters in New Zealand. The outcome of this reassessment is that the damage was more severe than they anticipated and as a consequence, to make insurance products sustainable, the type of coverage is changing.

The coverage will change in a number of ways depending on how competitive the insurer wants to make their product and the amount of influence being applied by their reinsurer.

The most significant change, likely to be applied by all insurers, is that your House insurance policy will no longer be on an 'open-ended replacement' basis. The new policy will be based on a sum insured that you chose, taking into account all of the physical assets on your property, demolition and rebuilding expenses, inflation and other related costs. This means that the most an insurer will pay is the sum insured amount that you have chosen.

There will be other changes that limit the amount of cover for retaining walls, swimming pools and similar assets. But these will vary between insurers and we strongly encourage you to discuss your particular House insurance requirements with us.

Some direct retail insurers have already started applying these changes however clients of professional insurance brokers have until mid April, at the earliest, to make these changes.

What Can You Do To Handle These Changes?

We can provide you with information about your renewal near the expiry date of your policy. The most important step to take will be to calculate an accurate replacement value of your house, including all of the assets on your property. This can be achieved by asking a registered valuer or quantity surveyor to calculate the replacement cost. Alternatively you will be able to use an internet based service to help you calculate the correct sum insured.

Most insurers will offer an internet based calculation of your sum insured and an example can be found by following this link:

<http://homebuilding.cordell.co.nz/index.php?c=introduction&profile=40&restart=1>

It is most important that you calculate a realistic and adequate sum insured because, if for example, you insure your house for \$250,000 and it actually costs \$350,000 to replace, the insurance company will only pay up to the \$250,000 sum insured.

Will My Premium Change?

It is likely that your premium will have already been increased as a result of the Christchurch earthquakes. Generally these increases have been attributable to the extra reinsurance premiums paid by your insurer and this may continue for the next renewal.

The change from an 'open-ended replacement' policy to a sum insured policy may also influence the premium. This is because the premium was previously based on the size of your house and may not have taken into account other assets such as retaining walls, swimming pools and similar assets.

We will not be able to assess the amount of premium change until you have calculated the new sum insured. Once this is available we will negotiate a competitive premium on your behalf based on coverage that meets your individual requirements. The lowest premium may not provide the best coverage for you and we will be mindful of this when giving you our recommendation.

How Will Paradise Brokers Help Me?

Paradise Brokers in partnership with Vision Insurance are independent from the insurance companies. Our experience of working with many insurers and clients who own different types of homes means that we are in a good position to give professional advice. Also, because of the volume of business that we transact with insurers we can often achieve better coverage terms than those available from retail insurers.

A professional broker will also act as your advocate and advisor when submitting claims. This will ensure you receive independent advice about the coverage and your entitlements as well as handling the administration and communication with the insurance company.

What Should I Do Now?

If you are already one of our clients we will send you more information closer to the expiry date of your House insurance. This will include the renewal offer from your current insurer. If you are not currently a client and would like us to discuss your insurance options with you please email or call us to set up an appointment on 03 548 2211 or enquiries@paradisebrokers.co.nz. This service is free to you.